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ABSTRACT

This paper introduces the concept of assistive financing for assistive devices for persons with disabilities, and describes model programs that have pioneered implementation of the concept in the assistive device marketplace. The assistive financing or loan guarantee concept is presented as a partnership between a private financial institution and another organization interested in underwriting credit financing to targeted populations. This partnership permits costs and risks of financing to be shared and allows flexibility in the terms of and access to credit. Assistive financing encourages consumers to share in the responsibility of paying for needed equipment and promotes greater consumer involvement in selection of the appropriate product. Model programs are described, including: (1) the Mitarai/Canon Optacon Financing Program, which extends low-interest financing for the purchase of a portable, tactile reading device for persons who are blind; (2) the Handicapped Transportation Loan Guarantee Program of the California Department of Rehabilitation, which finances purchases of vehicles or special adaptive equipment for parents of children who use wheelchairs; and (3) the Supported Employment Loan Guarantee Program, which promotes financing of assistive devices and durable equipment that enable persons with disabilities to obtain, maintain, or advance in employment. The paper also describes lessons learned from operation of these programs. Appendices contain names of contact persons and sample materials from model programs. (JDD)

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EIF/REC REVIEW PAPER

ASSISTIVE FINANCING FOR ASSISTIVE DEVICES:

LOAN GUARANTEES FOR PURCHASE OF PRODUCTS BY PERSONS WITH DISABILITIES

Kenneth G. Reeb, Jr.

January, 1989

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Preface

Rapid advancements in assistive devices offer tremendous potential for persons with disabilities. As technological advances continue, however, increasing attention must be drawn to ways to expand opportunities for assistive device users to pay for needed products, particularly given the reality of tightening resources among traditional third party payment agencies.

Assistive financing is one promising means of increasing payment alternatives. The assistive financing or loan guarantee concept involves a partnership between a private financial institution and another organization interested in underwriting credit financing to targeted populations. This partnership permits costs and risks of financing to be shared, and allows flexibility in the terms of and access to credit.

Assistive financing encourages consumers to share in the responsibility of paying for needed equipment. As such, it promotes greater consumer involvement in selection of the appropriate product. It also allows the consumer to demonstrate responsibility in repaying a credit obligation, and facilitates financing of future products once a sound credit record is established.

This paper is written for administrators, program planners, public officials, and bankers. It introduces the concept of assistive financing and describes a sample of model programs around the country that have pioneered implementation of the concept in the assistive device marketplace.

The author wishes to acknowledge the contributions of Paul Lewis and Kenneth Smedberg, who provided their expertise to this paper. Both have been instrumental in development of their respective assistive financing programs. Both are to be commended for their creativity and diligence in establishing such pioneer programs. Acknowledgements also go to Joan Hilger-Mullen for her editorial work.

ASSISTIVE FINANCING FOR ASSISTIVE DEVICES:

LOAN GUARANTEES FOR PURCHASE OF PRODUCTS BY PERSONS WITH DISABILITIES

Kenneth G. Reeb, Jr.

Introduction

In its 1982 report, Technology and Handicapped People, the U.S. Office of Technology Assessment (OTA) identifies financial barriers to acquisition and use of technology as a priority issue area for public policy attention. The report lists several policy options for the U.S. Congress designed to reduce the financial barriers. Among those options OTA suggests that:

> "Congress could establish a loan guarantee program with low interest financing (on an income-related sliding scale) to assist disabled people in device purchases." (1)

In a 1987 monograph, the Electronic Industries Foundation Rehabilitation Engineering Center (EIF/REC) reintroduced the loan guarantee concept as one with promise for providing greater credit financing of assistive devices by persons with disabilities, thereby encouraging greater independence (2). The monograph pointed out that, although the concept had merit, very few loan guarantee programs actually existed within the marketplace for assistive devices. The concept, as such, was relatively untested.

Since 1987, the concept has received more attention and ambitious pilot programs are beginning to emerge. The topic was raised several times in hearings by the 100th U.S. Congress on technology-related assistance for

individuals with disabilities (House Subcommittee on Select Education, May 10, 1988; Senate Subcommittee on the Handicapped, May 19-20, 1988). In November, 1988, the State of Maine passed a bond referendum authorizing a $5 million bond issue, with receipts to be used for low interest loans to persons with disabilities for purchase of assistive devices. Program planners are exploring the merits of loan guarantees with the Finance Authority of Maine. Similarly, Minnesota is considering a legislative appropriation to support an assistive financing program. In the private sector, the American Foundation for the Blind is developing a low interest loan program, in collaboration with a local bank, to help blind individuals purchase the recently introduced Kurzweil Reading Machine. Each program is still in its conceptual/developmental phase, but decision makers are interested in the loan guarantee/assistive financing concept.

In March, 1988, Telesensory Systems, Inc. (TSI) unveiled a model, low interest loan program for its new Optacon II reading device. The California Department of Rehabilitation administers two loan guarantee programs, one for vehicles and special adaptations, the other for assistive devices that serve a vocational purpose. A common denominator among these programs is they each have involved a private financial institution as partner in the overall program. They are examples of the assistive financing concept, translated into unique, pilot programs from which much can be learned.

In anticipation of increasing interest nationwide, this paper documents current understanding of the loan guarantee concept and its applicability to financing assistive devices. Written for administrators, program planners,

public officials, and bankers, it describes the concept, introduces some existing models, and discusses some program elements to replicate and others to avoid when establishing one's own program.

The Concept Explored

Need for Credit Financing.

Credit financing is an American way of life. Our economic history is one of evolution from a barter system, where products and services were traded in-kind, to a cash system, where consumers could earn money through their labors to purchase desired goods and services, and, ultimately, to a credit system, where consumers can purchase rather expensive items more affordably over time. In today's economy, credit is a pervasive and essential commodity. The credit industry is sophisticated and offers a wide range of financial "products."

Unfortunately, credit is not used extensively to pay for assistive devices. There are a number of hypotheses for this. The prevalence of third party funding in assistive devices markets tends to dampen demand for credit financing. Bankers are often hesitant to accept the specialized products as collateral because of concerns over resale value. Certainly the limited financial resources of many consumers also has an impact. Yet, consumers and suppliers alike could benefit significantly through promotion of greater financing opportunities in assistive devices markets. In the present environment, where third party funding resources are getting tighter and where consumers are becoming more independent, there is a need to explore ways to attract the substantial resources of the credit industry into these product markets.

Of course, financing, even at low or no-interest, is not appropriate for everyone. There are significant numbers of persons with disabilities who do not have the resources to afford some of the more expensive products available today. However, one must be careful not to over generalize. As Table I suggests, there are also rather large percentages of persons with disabilities who do have personal resources, are not eligible for the various funding programs, and could benefit from programs that support them as they purchase products themselves.

TABLE I

Distribution of Household Income
for Disabled and Non-Disabled Persons
in the United States
1986

Household Income	Disabled	Non-Disabled
$7,500 or less	25%	12%
$7,501 to $15,000	25%	17%
$15,001 to $25,000	16%	21%
$25,001 to $35,000	12%	16%
$35,001 to $50,000	7%	15%
$50,000 or more	5%	12%
Not Sure/Refused	10%	7%

SOURCE: Louis Harris and Associates. The ICD Survey of Disabled Americans: Bringing Disabled Americans into the Mainstream. New York: International Center for the Disabled, 1986.

How many persons could afford to pay the full price for desired equipment? How many could afford to pay the principal with low or no-interest? How many others need support with some or all of the purchase price? These questions cannot be answered at an aggregate level. So much depends upon the cost of the

equipment, disposable income, the overall expenses of the household (its "market basket"), and other basic economic variables. However, these questions must be considered at program levels where the financial profile and equipment needs of a program's client population are more clearly defined. Investigating these questions will reveal the types of funding/financing support most appropriate for persons in one's service area.

A Primer on Credit Financing.

Like any other commodity, there are costs associated with supply of credit financing. Using the equity of its shareholders and depositors, a bank lends money to applicants whom it predicts are likely to repay on time. The interest charged on the loan reflects the costs of using the money for that purpose rather than another (its "opportunity cost"), the administrative costs of processing and collecting on loans, costs attributable to any delinquency or default that occurs, and some reasonable return on the shareholder's investment. The interest rate, then, is the price of the loan.

A lender can never be certain, when deciding to approve or deny a loan request, that the applicant will repay on time. There are various procedural safeguards, however, through which the lender can gain assurances. Lending institutions rely on sophisticated, experience-based lending schedules, coupled with the credit history established by the borrower to predict whether the borrower is likely to repay, and how much can be afforded. Similarly, lenders seek collateral for loans, protecting themselves legally and financially against the risk of default. The type of collateral is also important, since a lender may need to collect and resell the property held as collateral to recoup some of the loss if default occurs.

Lending institutions are businesses. They must ensure that their resources are used in such a way as to generate a competitive rate of return to their shareholders. Except for a small percentage of their funds, which they can offer at below market interest rates ("concessionary" funds), they are not in a position to assist applicants who otherwise are considered poor credit risks.

However, there is the possibility for a third party to step in and shoulder some of the risks, thereby reducing the costs of providing credit financing, and arranging with the lending institution to pass those savings on to the consumer. That is the essence of the loan guarantee or "assistive financing" concept. The term assistive financing also conveys the goal that, in some cases, a beneficiary of subsidized financing may be able to establish a responsible credit rating as a result of that opportunity and become eligible for market rate financing in the future.

Assistive Financing Through Loan Guarantees.

Historically, banks have been receptive to assistive financing arrangements, where they relax some of their loan criteria and/or offer credit at lower prices in exchange for a reduction in some of their costs. The federal government, for example, has used loan guarantees to promote private sector financing for a wide range of objectives, such as rural small business development and increased supply of low cost student loans (3).

More recently, creative assistive financing programs are beginning to emerge designed to leverage private money to finance assistive devices. It is useful to describe some of these models in detail in order to get a sense of

what is possible. With this as background, generalizations can be made regarding some of the basic strengths of assistive financing and about some of the concerns that need to be kept in mind.

Model Programs

The Mitarai/Canon Optacon Financing Program.

In March, 1988, Telesensory Systems, Incorporated (TSI) introduced a new product -- the Optacon II, a portable, tactile reading device for persons who are blind. Simultaneously, the Mitarai/Canon Optacon Financing Program was introduced (4). The program, named after the founding family of Canon, extends low interest financing to eligible applicants for the purchase of the Optacon II.

The program is totally subsidized by Canon, USA through a substantial corporate contribution. Rather than use those funds to provide financing directly, they are used to leverage credit from the General Electric Capital Corporation (GECC), a national retail financing institution. Canon, USA is a major account for GECC, a relationship that was instrumental in helping TSI promote the program.

TSI negotiated an arrangement whereby GECC extends credit to eligible TSI customers at a subsidized annual finance charge of 3.96%. Since GECC is essentially the lender, its considerable expertise is used in handling loan applications. Credit is made available to consumers in all fifty states.

The terms of the financing package are as follows. The consumer pays $345.00 as a 10% down payment, which includes the Optacon II and a one year warranty. California residents must add the applicable sales tax to the down payment, since TSI is a California-based company. The remaining 90% is the principal which, at 3.96% interest, translates to a monthly payment of less than $100.00 for just under three years. Terms may change without notice and are subject to availability.

When a customer expresses interest in purchasing an Optacon II, the vendor notifies him/her about the assistive financing package. From the consumer's perspective, the financing is coming from Canon. They are given a Canon application, which is slightly modified to indicate to GECC application personnel that they are dealing with a special program. GECC is essentially transparent to the consumer. Under such an arrangement, TSI service personnel are available to answer questions and help the consumer fill out the application. The application is then sent to the TSI credit department, where it is reviewed for completeness and then faxed to GECC. GECC, in turn, conducts a credit check with five national credit bureaus, determines a credit limit, and assigns the applicant an account number. They typically get a response back to TSI within an hour.

TSI has managed to negotiate fairly flexible credit approval criteria from GECC. GECC may approve any application where the applicant's income data indicate likelihood of repayment, as long as there is no prior history of default. Applicants who have no credit history, which is a significant number

of potential TSI customers, can still be considered under this program. TSI's intent in negotiating this arrangement is to help customers begin to develop sound credit records so that they will have easier access to credit, from any source, in the future.

In situations where an application is approved and the credit limit is sufficient to finance the entire price of the Optacon II, TSI fills out a credit receipt and sends it to GECC. GECC then does an electronic fund transfer or issues a check to TSI, on a monthly basis. The credit receipts are coded both by dealer and by product and are tracked on a monthly basis.

When financing is provided, two transactions take place with the subsidy fund. First, funds are transferred to GECC to make up the difference between the consumer's finance charge and the market rate that GECC would have charged. Second, a small percentage of the principal amount is transferred to a "loss reserve fund" as insurance against delinquency or default. If such problems should occur, GECC would recoup its losses from money deposited in the fund, up to the maximum in the fund for any given year. Because there was no credit history of the principal population being served, GECC used general population statistics to estimate the initial loss reserve percentage. Repayment activity will be reviewed annually and the loss rate adjusted accordingly, as GECC gains experience with the program and the population served.

In situations where an application is approved, but the credit limit is not sufficient to cover the total costs, the consumer is expected to come up with the remainder and include that in the down payment. Another option is to seek

a cosigner. In such cases, TSI generally will intervene and provide guidance to the customer on where to seek the extra down payment or cosignature. In the first three months of the program, 50 applications have been processed. There has been an average credit approval of $3,000. Approximately 35% have required cosignature.

In situations where an application is denied, there is also some recourse. TSI can intervene by speaking with the GECC Program Supervisor and by seeking a cosignature.

A valuable element of the Mitarai/Canon program is that TSI leverages GECC money. The company expects to sell more Optacon IIs under the program than they would by extending low rate financing themselves, because they are using their funds to leverage resources from a private financial institution. Also important is the fact that many consumers have an opportunity to establish a credit record for the first time. For many, the Optacon II is a tool to gain employment, which then generates the income to repay the financing. For those who demonstrate responsibility in repayment, they may find increasing access to credit financing in the future.

California Department of Rehabilitation.

The California Department of Rehabilitation administers two assistive financing programs. The first, called the Handicapped Transportation Loan Guarantee Program (HTLGP), was established on January 1, 1981 with an appropriation of $300,000 from the state legislature. The purpose of the

program is to encourage participating banks to extend credit to parents or legal guardians of children with disabilities who use wheelchairs to finance purchase of vehicles and/or special adaptive equipment. Families with low to moderate income are targeted, as defined by HUD guidelines based upon gross household income, family size, and county of residence.

The second program is the Supported Employment Loan Guarantee Program (SELGP), which was established in 1987. It was set up through a legislative appropriation of $200,000. Its purpose is to promote private financing of "assistive devices, adaptive aids, and durable equipment" that enable persons with disabilities to obtain, maintain, or advance in employment. The SELGP is still in a state of development, having extended credit to only one client to date. Administratively, both programs serve as valuable assistive financing program models.

The Handicapped Transportation fund is used to guarantee consumer loans from private banks in the state. It is a 100% guarantee, and no down payment is required of the borrower. Although the bank's money is used initially, if default occurs, the bank is refunded the remaining balance on principal and its expenses incurred in collecting and reselling the vehicle from the loan guarantee fund. The bank has no risk, and is therefore willing to extend financing to applicants who otherwise would not be approved. The fund is intended to be self-perpetuating. It grows through interest earned on the balance, and only is tapped in cases of default. In the eight years of operation, there have been only six cases of default (one in the first five years, five in 1986) and the fund is now roughly $450,000. Over the same period, 35 loans have been guaranteed, and others are in process.

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Other than extending credit to persons who are otherwise poor risks, the program does not offer any other special terms. Banks are asked to consider charging more favorable interest. Some loans have been made with a 1% discount, but most clients pay the prevailing rate. Loans can be for up to 60 months. Originally there was a cap of $10,000 on each loan. The legislature has raised that to $12,500 effective January 1, 1989. A ball park figure for a $12,500 loan for 60 months at a typical annual rate would be roughly $270 per month, although that amount varies with fluctuations in prevailing interest rates.

In the early years of the program, four or five banks participated. Participation involves signing an agreement with the State Department of Rehabilitation. Appendix B presents a sample contract. Over time, however, banks have dropped out, some due to mergers, others because they did not have personnel to continue handling the extra paperwork involved. Today one bank, Security Pacific Bank, is participating.

The application process is as follows. Since the ultimate lender, in cases of default, is the Department of Rehabilitation, a senior accounting specialist within the department has lead responsibility for program administration. The program is promoted through the department and through other channels around the state. Interested parties are directed to the program administrator. As a rule of thumb, the Department receives 25 to 30 inquiries for every application that is actually processed. If, after initial screening by telephone, the party wishes to apply, the Department sends him/her a form to report financial information (see Appendix B). The form asks for a detailed inventory of the applicant's sources of income and monthly expenses. Unlike most banks, the

Department considers continuous monthly income from almost any source, including SSI/SSDI payments to the child. As another rule of thumb, the administrator adds 10% of income to total expenses to take into consideration all miscellaneous expenses that occur, yet which tend to be overlooked in budgeting.

Once the form is returned, the program administrator checks for completeness, and notifies a bank official. The bank official is with the Community Development Center of Security Pacific Bank and has worked with the Handicapped Transportation program since its inception, and therefore has a good working relationship with the program administrator. Everything is handled between the two by telephone or mail. The bank, once notified, sends out its consumer credit application to the applicant. In most cases, the applicant will need to submit the same type of financial information to the bank as was given to the Department of Rehabilitation. Initially, the bank considers the applicant as they would any other. If they determine that the family is eligible for credit through regular channels, they notify the Department and handle the application as they do all others. If the applicant is not approved regularly, the Department is notified as such. It is then up to the program administrator to decide whether the Department will underwrite the loan. In cases of approval, the Department and bank sign a contract and the bank extends credit.

The bank is responsible for handling monthly loan repayments, but must report at least quarterly to the Department on the status of each loan. If someone misses a payment, the program administrator is notified as soon as possible. He sends a letter to the borrower as a gentle reminder. If another

month passes without payment, another, more direct letter is sent with a notice that repossession will occur within 30 days. Although there have been only six defaults to date, it is generally the bank's responsibility to collect vehicles that have been defaulted upon. The Department gets involved in special cases.

The Supported Employment Loan Guarantee Program is designed along similar lines to the Handicapped Transportation program. It is handled by the same program administrator, and the application process is identical. Two banks, Security Pacific and Wells Fargo, have agreed to participate.

However, there are several important differences between the two programs that warrant mention. Financing terms can be much more flexible with the Supported Employment program. In some cases, the Department can actually "buy down" the bank's market rate interest in order to make the monthly payments more affordable to the applicant. In some instances, the Department may decide to subsidize the price of the product as well. Of course, with each option the Department is constrained by the limited funds available and the competing needs.

Under the SELGP, applicants must demonstrate that they could not get payment support from any other source. It is not clear, however, how this policy will be implemented. Presumably, for persons who can afford regular financing, it will be handled similarly to the Handicapped Transportation program where the bank has first option of approval. For lower income persons, they might need to be referred through a rehabilitation counselor, after consideration of "similar benefits." Regardless, the policy poses difficulties administratively.

A final unique feature of the SELGP is that collection of assistive devices in cases of default will be solely the responsibility of the Department of Rehabilitation. It is felt that, since many devices financed through this program will tend to be very specialized, resale by a bank would prove difficult. It is reasoned, further, that the Department would be more likely to find a new owner for the equipment. Therefore, collection is not part of the contractual agreement with a bank.

Some Lessons Learned

Although most of the preceding model programs are still embryonic, they demonstrate clearly that private financial institutions are receptive to innovative assistive financing programs. With the proper incentives developed to reduce risk, lenders have indicated willingness to relax financing criteria and expand opportunities for persons with limited credit to finance purchase of special products.

As these programs mature, there will be a growing experiential database from which to analyze the impacts of financing on the assistive devices market. Comparisons can be made, for example, between delinquency and default rates among consumers of assistive devices versus consumers of mass market products. It has been hypothesized for quite some time that there is no significant difference. The experience of these programs, and others that follow, test that hypothesis, while encouraging banks to develop experience-based schedules.

Of course, assistive financing has existed for some time, in one form or another, in other fields. As noted earlier, the federal government uses loan guarantees to encourage private sector financing for various purposes, ranging from promoting rural development to increasing financial access to higher education. Many of these programs have features that are applicable to assistive financing for assistive devices. Their collective experience provides lessons to be learned.

In 1979, the U.S. Congressional Budget Office compiled several staff working papers that describe the extent to which the federal goverment uses assistive financing, analyzes problems encountered, and recommends options for improvement (5).

Several significant findings warrant attention. A working paper prepared for the CBO by a private consulting firm (6) outlines three areas of concern that are pertinent to assistive financing for assistive devices.

The first concern is how a program defines its "contingent liability." The study found that federal agencies differed in the way that they defined their liability under loan guarantee/assistive financing programs:

> "Most agencies define it as the net amounts of guaranteed or insured loans outstanding. That is, the agencies recognize that contingent liabilities are reduced when borrower payment on loans are made and when federal outlays are made to meet claims. In the latter case, the contingent liability becomes the actual expense. However, one agency defines its contingent liability under one program as equal to the extent of its reserve for losses. The reserve is established on an actuarial basis, and lenders are informed that the

Government's liability is limited. Another agency, however, defines contingent liability as the total amount of loans guaranteed (including repaid portions) and in this way, overstates the actual contingent liability of the Federal Government." (7)

A second issue raised in the study is that many federal programs have inconsistent and/or unclear mechanims for assessing the risk undertaken with each loan guaranteed.

"An agency can only provide information on the extent of liabilities under its programs, if it has some idea of the amount of risk involved in loans in its portfolio. Thus, some procedures are needed in order to assess the risk. The following study findings support the view that risk assessment is not strongly developed and implemented in the agencies:

- Eight of the 22 surveyed programs had no formal procedures for assessing the risk involved in a particular loan and/or left it to the lender to assess the risk by whatever criteria the lender wished to use.

- The criteria established to determine borrower eligibility under the program provided few objective standards for controlling risk." (8)

A third area of concern is that communication between lender and guarantor tends to be poor, making it difficult for the program underwriting the loans to keep tabs on problem loans.

"Agencies should be able to anticipate, on the basis of either individual loans or an aggregate portfolio, the extent of future liabilities and claims. Estimates of claims for the total portfolio are typically based on statistical risk measurement procedures which, as described above, are not established in many of the agencies. Alternatively, an agency could attempt to anticipate problem loans through a combination of communication with lenders and accurate record keeping.

The study found that:

- "for the majority of programs, little communication existed between the lender and the sponsor agency concerning loans which had not gone into default. No 'early warning' system was available to or existed within the agencies, which, in turn, could only react to problems that had already occurred rather than enforce underwriting standards, for example, or change policy to ensure that credit allocation was accomplished in a manner consistent with Congressional intent.

- most agencies do not account for changes in status of a loan in the event of delinquency, default, or forbearance." (9)

All three areas of concern are attributable to the fact that assistive financing involves two parties in the supply of financing. Reliance upon two parties multiplies the need for communication, for careful definition of the criteria used to determine who is to be served through the financing program, and for specification of each party's contingent liability. Both parties share in the benefits of assistive financing, but both also share in the risks. A clear message emerges through analysis of the federal government's track record with assistive financing: although the lending institution handles many of the logistical matters, it is imperative that the guarantor be actively involved in designing the elements of the program. Feedback mechanisms must be instituted whereby the guarantor monitors the status of loans, at least in the aggregate, and communicates regularly with the lender on matters of mutual concern.

Summary

In the current environment, where third party payment resources are tightening while the sophistication of assistive devices is advancing, the concept of assistive financing holds promise. It encourages product users to become more active product consumers, since they contribute to the cost of the products purchased. It provides long term benefits to borrowers who demonstrate responsibility in repaying credit obligations. For some, assistive financing may be the avenue both for acquiring products that lead to employment and future earnings, and for establishing a sound credit record that enables them to obtain market rate financing for purchase of assistive devices and other commodities in the future. Finally, assistive financing leverages resources from the private credit industry, whose resources are vast and available. In many cases, a small investment can leverage a much larger benefit.

Although the concept of assistive financing is relatively new to the assistive devices marketplace, there are lessons that can be drawn from applications in other areas. In addition, pioneering efforts are underway to apply assistive financing to assistive devices. Planners of these innovative programs are to be commended for their efforts. It will be valuable to monitor their experiences and to encourage replication and modification of their programs, in order to extend the potential of assistive financing to others nationwide.

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5. op. cit. U.S. Congressional Budget Office.

6. Peat, Marwick, Mitchell and Company. "Loan Insurance and Guarantee Programs: A Comparison of Current Practices and Procedures" in Loan Guarantees: Current Concerns and Alternatives for Control (Washington, D.C.: U.S. Congressional Budget Office, 1979).

7. ibid. p. 172.

8. ibid. pp. 173-174.

9. ibid. p. 174.

APPENDIX A

Contact Persons for Model Programs Profiled

Miterai/Canon Optacon Financing Program:

Paul Lewis
Director
Office of Special Education and Rehabilitation
TSI, Inc.
455 N. Bernardo Avenue
Mountain View, CA 94039-7455

California Department of Rehabilitation Loan Guarantee Programs:

Kenneth P. Smedberg
Chief, Accounting Section
California Department of Rehabilitation
830 K Street Mall
Lower Level
Sacramento, CA 95814

APPENDIX B

Sample Materials from Model Programs

- California Department of Rehabilitation Loan Guarantee Program Package .. B2
- California Department of Rehabilitation Applicant Income Statement B8

DEPARTMENT OF REHABILITATION

HANDICAPPED TRANSPORTATION LOAN GUARANTEE PROGRAM

LENDING INSTITUTION (name and address)

The State of California, Department of Rehabilitation is sponsoring a loan guarantee program for the purchase of vans, automobiles, or special equipment. This guarantee applies to loans made to the parents (or guardians) of handicapped children who would not normally be granted credit. The loans will be made by you at or lower than your current interest rates, terms and conditions. Please bear in mind that if the applicants can qualify on their own, they will not be eligible for the loan guarantee program. Therefore, it will be necessary to include as a part of your transmittal the reason that the applicant(s) was not granted credit. Please note that this information is confidential and will only be used to ascertain whether the applicant qualifies to participate in the loan guarantee program.

Included in your transmittal of the "loan package" should be:

1. Doctor's statement of child's condition.
2. Loan Application - reflecting current automobiles owned or to be traded.
3. A verification that if the guarantee is approved, you will abide by the terms and conditions of the loan agreement.

THESE DOCUMENTS SHOULD BE SENT TO:

Program Administrator
Handicapped Transportation
Loan Guarantee Program
Department of Rehabilitation
830 K Street Mall - LL
Sacramento, CA 96814
(916) 445-8087

DEPARTMENT OF REHABILITATION

for the loan guarantee program.

HANDICAPPED TRANSPORTATION LOAN GUARANTEE PROGRAM

DOCTOR

TO: (DOCTOR'S NAME AND ADDRESS)	REGARDING (PATIENT'S NAME AND ADDRESS)

The State Department of Rehabilitation sponsors a loan guarantee program for qualified wheelchair bound children. The program is intended to assist in the purchase of necessary mobility aids for transportation purposes.

PATIENT'S BIRTH DATE:	IS PATIENT WHEELCHAIR BOUND?
	☐ YES ☐ NO

DIAGNOSIS:

PATIENT'S CONDITION IS:

☐ IMPROVEMENT EXPECTED ☐ PERMANENT

IMPROVEMENT EXPECTED TO WHAT LEVEL?

PATIENT HAS FUNCTIONAL CAPACITY TO TRANSFER FROM WHEELCHAIR TO OTHER SITES? ☐ YES ☐ NO

I HAVE NO FURTHER RECOMMENDATIONS REGARDING MOBILITY AIDS FOR THIS PATIENT.

I HAVE THE FOLLOWING RECOMMENDATIONS REGARDING MOBILITY AIDS FOR THIS PATIENT:

I CERTIFY THE ABOVE INFORMATION IS TRUE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

SIGNATURE OF DOCTOR	DATE

WE, THE PARENTS OF _____ DO HEREBY GRANT DR. _____ OUR PERMISSION FOR RELEASE OF THE INFORMATION NOTED ABOVE.

THE ABOVE NAMED CHILD (PATIENT) POSSESSES A MOTORIZED WHEELCHAIR. ☐ YES ☐ NO

FATHER'S SIGNATURE	DATE

MOTHER'S SIGNATURE	DATE

AGREEMENT NO._____

STATE OF CALIFORNIA

DEPARTMENT OF REHABILITATION

LOAN GUARANTEE AGREEMENT

AGREEMENT, made the day of , 19 , by and between

_____

_____

(Lender's name and full address)

and the Department of Rehabilitation (DR) State of California, for the guarantee of loan No. _____ made to: _____

_____

in the amount of _____.

This agreement is entered into pursuant to provisions of Section 1490 et seq, Chapter 5, Part 2, Division 10, Welfare and Institutions Code, wherein DR shall provide guarantees for loans to eligible persons to purchase vans, automobiles, or other special equipment.

NOW, THEREFORE, the parties agree as follows:

1. Application for Guarantee: This agreement shall cover only the loan duly approved by Lender for guarantee and by DR subject to DR Regulations. Any proposed loan by Lender contingent upon DR guarantee under this agreement shall be referred to DR for approval and authorization.

2. Approval of Guarantee: DR shall either approve in a formal loan guarantee agreement, or decline the guarantee by written notice to the Lender. Prior to full disbursement of the loan, any change in the terms or conditions stated in the loan documents shall be subject to prior written agreement between DR and Lender.

3. Closing and Disbursement of Loans: Lender shall close and disburse each loan in accordance with the terms and conditions of the approved loan authorization. Lender shall cause to be executed a note and all additional instruments and take such other actions which shall, consistent with prudent closing practices, be required in order to fully protect or preserve the interests of Lender and DR in the loan. Immediately after the disbursement of the loan, Lender shall furnish DR with a copy of the executed note. DR shall be entitled at any time, after written notice, to examine and obtain copies of all notes, security agreements, all other agreements and documents (herein collectively called "Loan Instruments"), and the loan repayment records held by Lender which relate to loans made pursuant to this agreement.

4. Report of Status: Lender shall complete and forward to DR a written, quarterly status report. This report shall include balance, payment record, months in default, and collection activity. This report shall be due within 20 days after the end of the reporting period specified in the report. DR shall not be obligated to purchase the guaranteed outstanding balance of a loan if DR determines that the Lender's failure to provide timely and accurate status information was a factor in a default. DR reserves the right to make specific requests for loan information.

5. Administration of Loans: Lender shall hold the Loan Instruments, and shall receive all payments of principal and interest. Holder of the note shall not, without prior written consent of the other:

a. make or consent to any substantial alteration in the terms of any Loan Instrument ("Substantial" includes, but is not limited to, increases in principal amount or interest rate, or any action that benefits or confers a preference on the holder);

b. make or consent to releases of collateral;

c. accelerate the maturity of any note;

d. sue upon any Loan Instrument, or

e. Waive any claim against any borrower, guarantor, obligator, or standby creditor arising out of any Loan Instrument.

All servicing actions shall be the responsibility of the Lender, who shall follow accepted standards of loan servicing employed by prudent lenders.

6. Loan Defaults and Terminations: The Lender shall make every reasonable effort allowable under the law to recover all vans, automobiles, and other special equipment, or the value thereof, for which a loan has been made and for which an applicant fails to meet the repayment schedule of the loan. DR is liable only for the difference between the balance of the loan guarantee and the amount recovered by the Lender, including all costs incurred in repossessing or recovering a van, automobile, and/or other special equipment. The minimum collection efforts shall be:

a. 30 Days & Over - Send letter to borrower with copy to DR indicating default in remitting payment.

b. 60 Days - Send second letter to borrower with copy to DR.

c. 90 Days - Send final letter to borrower with copy to DR indicating repossession procedures have begun.

7. Fees or Commissions: Lender shall not require certificates of deposit or compensating balances and shall not directly or indirectly charge or receive any bonus, fee, commission, or other payment or benefit in connection with making or servicing any loan.

8. Sharing of Repayment Proceeds and Collateral: Lenders shall not acquire any preferential security, surety, or insurance to protect its unguaranteed interest in a loan. Proceeds from sale of loan security will first be applied to "Guarantee Loan" then to loan amount which exceeds the $10,000.00 maximum of the guarantee. Lender shall notify DR of any loan or advance by Lender to a borrower subsequent to a guaranteed loan (or proceeds realized therefrom). Lender may demand in writing that DR purchase the guaranteed outstanding balance of the loan in default by a borrower. Lender shall certify that the loan has been disbursed, and services in compliance with this agreement have been rendered. Within 30 days after receipt of Lender's demand, together with a certified transcript of the loan account, and the written assignment of the Loan Instruments, without recourse, DR will pay to

Lender the guaranteed balance of the loan plus accrued interest at the note rate, after adjustment for charges, repossession, and sale of security as appropriate. If DR consents that Lender may continue administration of the loan after DR purchases the guaranteed balance, Lender shall deliver to DR at the time of purchase, conformed copies of any of the Loan Instruments not previously furnished DR. Purchase by DR shall not waive any right of DR arising from Lender's negligence, misconduct, or violation of any provision of this agreement.

9. Payment of Expenses: Equipment and evaluation costs shall be paid by, or be recoverable from, the borrower, but these costs may be included as part of the loan to be guaranteed under the program.

10. DR Purchase Privilege: Notwithstanding any provision of any agreement between DR and Lender, DR has the absolute right at any time to purchase the guaranteed amount of any loan in the interest of the Government or the borrower without a prepayment penalty. Within 15 days of the Lender's receipt of DR's written demand to purchase the guaranteed loan, Lender shall deliver to DR a certified transcript of the loan account showing date and amount of each disbursement and repayment, and shall assign and deliver to DR the Loan Instruments pursuant to Paragraph 7 above. Upon receipt of these documents, DR shall pay Lender the guaranteed amount then owing on the loan pursuant to Paragraph 7 above.

11. Title to Security: Title to security to rest with the Lender.

12. Termination:

    a. DR shall terminate a loan guarantee whenever the terms of the loan have been met, or the Lender fails to meet the conditions of the loan guarantee agreement.

    b. Lender may terminate the guarantee as to any loan guaranteed hereunder at any time prior to purchase by DR upon notice to DR. The guarantee of any loan shall be terminated if demand for DR to purchase or a request to extend the maturity is not received by DR within one year after the maturity of the note.

IN WITNESS WHEREOF, Lender and DR have caused this agreement to be duly executed on _____.

DEPARTMENT OF REHABILITATION

_____
Name of Lender

_____
Chief, Contracts and Regulations

_____
Authorized Signature

_____
Program Administrator

_____
Title

(Lender shall execute and submit two copies to DR)

State of California
Health and Welfare Agency GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF REHABILITATION
830 K St. Mall
Sacramento, CA 95814

(916) 445-8087

November 22, 1988

Mr.
1889
San Diego

Dear Mr. :

Please complete the attached income statement, including a copy of your Form 1040 for the 1987 tax year. I will also need a copy of your most recent payroll statement(s) (and your wife's), and verification of any other continuing monthly income that you receive. In estimating utilities, food, automobile use, medical, clothes, and telephone, use an average monthly cost over the period of one year. For auto insurance, list what you pay for your premium annually.

Once we have received and reviewed this information, Betty Jong, of my staff, will call you and discuss your feasibility for the Program. Please include your home phone and when you can be reached; also include your business phone.

Thank you for your cooperation. If you have any questions, please call Betty Jong at (916) 323-1715.

Sincerely,

KENNETH P. SMEDBERG
Program Administrator
Supported Employment
Loan Guarantee Program

INCOME STATEMENT

NAME:_____ PHONE NUMBER:_____

ADDRESS:_____

MONTHLY INCOME (include all current continuing sources of income - please provide copies of adequate supporting substantiation);

Source	Monthly Amount (Net)
Wife's Job:	$
Husband's Job	$
Other (Describe):_____	$
_____	$
_____	$
TOTAL MONTHLY INCOME (NET):	$

MONTHLY EXPENSES (list all monthly expenses or average monthly expenses - attach copies of bills, statements, etc., where applicable):

Source	Monthly Amount
Rent or Mortgage Payment (circle one)	$
Monthly Installments (Visa, M. Card, Department Store, etc.)	$
PG&E or Utility District (electric, gas, water)	$
Food	$
Homeowners Insurance	$
Automobile Insurance	$
Automobile Use (gas, repairs, etc.)	$
Medical/RX	$
Clothes	$
Telephone	$
Other (explain):_____	$
_____	$
_____	$
_____	$
TOTAL MONTHLY EXPENSES	$

FOR PROGRAM USE

Add: Loan Repayment	$
Total Expenses Including New Loan:	$